

LIMITED PROCEDURES ENGAGEMENT

Upper Milford Township Non-Uniformed Employees Defined Contribution Pension Plan Lehigh County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

May 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Board of Township Supervisors
Upper Milford Township
Lehigh County
Old Zionsville, PA 18068

We conducted a Limited Procedures Engagement (LPE) of the Upper Milford Township Non-Uniformed Employees Defined Contribution Pension Plan for the period January 1, 2014 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 *et seq.*) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- Whether municipal officials took appropriate corrective action to address the finding contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- Whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the engagement period. State aid allocations that were deposited into the pension plan for the years ended December 31, 2011 to December 31, 2016, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation. Employer contributions that were deposited into the pension plan for the years ended December 31, 2011 to December 31, 2016, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether retirement benefits calculated for plan members who retired during the engagement period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- Whether the January 1, 2013, January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2014, 2016 and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

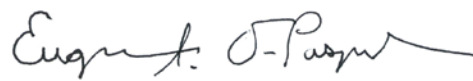
Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Upper Milford Township Non-Uniformed Employees' Defined Contribution Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The township should continue to maintain documentation related to this pension plan.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Upper Milford Township and, where appropriate, their responses have been included in this report. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

April 30, 2018


EUGENE A. DEPASQUALE
Auditor General

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UPPER MILFORD TOWNSHIP NON-UNIFORMED EMPLOYEES
DEFINED CONTRIBUTION PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Report Recommendation

Upper Milford Township has complied with the prior audit report recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

The township reimbursed \$1,068 to the Commonwealth for the overpayment of state aid received in 2012.

UPPER MILFORD TOWNSHIP NON-UNIFORMED EMPLOYEES
 DEFINED CONTRIBUTION PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

The supplementary information contained on Pages 2 and 3 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION
 LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Total Pension Liability		
Service cost	\$	3,880
Interest		107
Difference between expected and actual experience		1
Transfers		3,227
Net Change in Total Pension Liability		<u>7,215</u>
Total Pension Liability – Beginning		-
Total Pension Liability - Ending (a)	\$	<u><u>7,215</u></u>
 Plan Fiduciary Net Position		
Contributions – employer*	\$	3,880
Contribution – PMRS assessment		60
PMRS Investment income		157
Market value investment income		(414)
Transfers		3,227
Additional administrative expense		(8)
Net Change in Plan Fiduciary Net Position	\$	<u>6,902</u>
Plan Fiduciary Net Position – Beginning		-
Plan Fiduciary Net Position - Ending (b)	\$	<u><u>6,902</u></u>
 Net Pension Liability - Ending (a-b)	\$	<u><u>313</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		95.66%
 Estimated Covered Employee Payroll	\$	64,668
 Net Pension Liability as a Percentage of Covered Employee Payroll		0.48%

* Amount does not include contributions of \$1,216 made to employee who terminated prior to transfer to PMRS

UPPER MILFORD TOWNSHIP NON-UNIFORMED EMPLOYEES
 DEFINED CONTRIBUTION PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the township as of December 31, 2016, calculated using the discount rate of 5.25%, as well as what the township's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 1,756	\$ 313	\$ (1,130)

UPPER MILFORD TOWNSHIP NON-UNIFORMED EMPLOYEES
 DEFINED CONTRIBUTION PENSION PLAN
 SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 1,620
2013	None	2,380
2014	None	5,306
2015	\$ 5,100	750
2016	None	5,096
2017	\$ 6,166	3,088

UPPER MILFORD TOWNSHIP NON-UNIFORMED EMPLOYEES'
DEFINED CONTRIBUTION PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Daniel J. Mohr
Chairman, Board of Township Supervisors

Mr. Edward Carter
Township Manager

Ms. Jessi O'Donald
Secretary/Treasurer

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.